REMARKS

I. General

Claims 1-86 are pending in the present application. The outstanding issues raised in the current Office Action (mailed August 3, 2005) are:

- Restriction Requirement mailed September 21, 2004 is maintained;
- Claims 1-11 and 40-52 are rejected under 35 U.S.C. § 101 as being directed to non-statutory subject matter; and
- Claims 1-11 and 24-86 are rejected under 35 U.S.C. § 103(a) as being unpatentable over U.S. Patent No. 5,704,044 issued to Tarter et al. (hereinafter "*Tarter*") in view of U.S. Patent No. 5,191,522 issued to Bosco et al. (hereinafter "*Bosco*").

In response to the Final Office Action, Applicant has filed a Request for Continued Examination (RCE), which this Amendment accompanies. As discussed further below, Applicant respectfully traverses the outstanding claim rejections raised in the Final Office Action, and requests reconsideration and withdrawal thereof in light of the remarks presented herein.

II. Restriction Requirement

In response to the Restriction Requirement mailed September 21, 2004, Applicant provisionally elected claims 1-11 and 24-70 WITH TRAVERSE. The current Office Action (mailed August 3, 2005) maintains the Restriction Requirement and thus asserts that the provisionally elected claims 1-11 and 24-70 are pending (*see* page 2 of the Office Action). However, Applicant maintains that the Restriction Requirement is improper for the reasons set forth in Applicant's response of October 19, 2004.

Further, the current Office Action goes on to examine not only claims 1-11 and 24-70, but also claims 71-86, *see* rejection under 35 U.S.C. § 103 on page 3 of the Office Action. As explained in Applicant's response of October 19, 2004, claims 1 and 12 have been previously searched and examined prior to the filing of the Request for Continued Examination (RCE) on June 14, 2005. Now, the further claims 71-86 have been searched and examined in the current Office Action. Thus, because claims 1, 12, and 71-86 have all been

searched and examined, Applicant respectfully submits that no serious burden would arise by maintaining these claims together in the continued examination of the present application. Thus, in view of the above, Applicant has submitted concurrent with this Response, a Petition for the Director to reconsider this restriction in accordance with 37 C.F.R. § 1.144.

III. Claim Rejections Under 35 U.S.C. § 101

Claims 1-11 and 40-52 are rejected in the Office Action under 35 U.S.C. § 101 as being directed to non-statutory subject matter. The Office Action asserts that these claims are rejected "because they have only recited a computer implemented method in the preamble of the claims." Item 4 on Page 2 of the Office Action. The Final Office Action further asserts that "the body of the claims must also include this feature." *Id.* For the reasons discussed in more detail in Applicant's Amendment of June 14, 2004, which accompanied the filing of the RCE in the present application, Applicant respectfully traverses this rejection. In short, 35 U.S.C. § 101 explicitly recognizes a "process" as a proper statutory category that is protectable by patent. Applicant is aware of no requirement that a process must be claimed as a "computer implemented method." Indeed, many process claims have been issued by the U.S. Patent and Trademark Office that are not directed to computer implemented methods. Applicant is certainly aware of no requirement that the body of a method claim must include the "computer implemented" feature. Thus, because the preamble of claims 40-52 specify that they are directed to a process (i.e., a "method"), and more particularly to a "computer implemented method," Applicant respectfully submits that these claims are directed to proper statutory subject matter in accordance with 35 U.S.C. § 101. Further, Applicant respectfully submits that even if features recited in the preamble are not given patentable weight, the preamble can be used for determining the statutory category to which the claim is directed.

In response to the above arguments, the current Office Action still fails to cite any authority for its assertion that the claims, and particularly the body of the claims, must recite a "computer implemented" method. The current Office Action appears to apply a two-prong test requiring (1) that the invention be within the technological arts and (2) that the invention produce a useful, concrete, and tangible result. As discussed in more detail in Applicant's Amendment of June 14, 2004, the claims do not recite a mere abstract idea, and thus satisfy prong "2" of the Office Action's test. Prong "1" of the Office Action's test is not a further requirement, as discussed below.

The Office Action appears to asserts that the recitation of "computer implemented" in the preamble fails to satisfy a "technological arts" requirement. However, in the recent decision of the Board of Patent Appeals and Interferences ("the Board") of *Ex Parte Carl A. Lundgren*, Appeal No. 2003-2088, U.S. Patent and Trademark Office, Board of Patent Appeals and Interferences (a copy of the majority opinion is enclosed herewith for the Examiner's convenience), the Board made clear that "there is currently no judicially recognized separate 'technological arts' test to determine patent eligible subject matter under § 101." Thus, the Board in *Lundgren* overturned a rejection of claims that was based on such a "technological arts" requirement. Accordingly, no further requirement beyond establishing that claims 1-11 and 40-52 are not directed to a mere abstract idea (which is established in Applicant's Amendment of June 14, 2004) exists for establishing that these claims are directed to proper statutory subject matter under 35 U.S.C. § 101.

In view of the above, Applicant respectfully submits that claims 1-11 and 40-52 are directed to proper statutory subject matter, and thus Applicant requests that the outstanding rejection of these claims under 35 U.S.C. § 101 be withdrawn.

IV. Claim Rejections Under 35 U.S.C. § 103(a)

Claims 1-11 and 24-86 are rejected under 35 U.S.C. § 103(a) as being unpatentable over *Tarter* in view of *Bosco*. Applicant respectfully traverses this rejection as provided below.

To establish a prima facie case of obviousness, three basic criteria must be met. *See* M.P.E.P. § 2143. First, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to combine reference teachings. Second, there must be a reasonable expectation of success. Finally, the combination of references must teach or suggest all the claim limitations. Without conceding any other criteria, Applicant respectfully asserts that the combination of references does not teach or suggest all the limitations of claims 1-11 and 24-86.

A. Independent Claim 1

Independent claim 1 recites, in part, "providing programming code for converting each contract into a plurality of terms and a contract identifier code, each term, of the plurality of terms, containing qualification codes, calculation codes and at least two priority notes, and arranging the plurality of terms, of said contract, into a sequential series of terms". The Office Action relies upon *Tarter* as teaching this element. Specifically, the Office Action asserts that column 15, lines 7-65 of *Tarter* teaches this element, *see* item 6(A) on Page 3 of Office Action. However, as Applicant discusses in great detail in the Amendment of June 14, 2004, the relied upon portion of *Tarter* in no way teaches or suggests the above element of claim 1. For example, there is no mention of qualification codes, calculation codes, or priority notes in the relied upon portion of *Tarter*. Additionally, the relied upon portion of *Tarter* further fails to teach or suggest "arranging the plurality of terms, of said contract, into a sequential series of terms".

The current Office Action does not address the above arguments presented by Applicant's June 14th Amendment. The current Office Action fails to identify any other portion of *Tarter* that teaches or suggests the above element of claim 1. And, the current Office Action fails to further clarify how the cited teaching of *Tarter* provides each limitation recited in this element of claim 1, such as the recited qualification codes, calculation codes, and priority notes. Thus, this rejection should be withdrawn.

Additionally, claim 1 further recites "providing programming code for sequentially comparing each claim code, of the series of claim lines, against each qualification code, of the plurality of terms and when a claim code, of a claim line, is substantially equal to a qualification code, of a term, identifying said term as a matching term associated to said claim line". The Office Action relies upon *Tarter* as teaching this element. Specifically, the Office Action asserts that Col. 13, line 44 to Col. 15, line 39 of *Tarter* teaches this element, *see* item 6(A) on Page 3 of the Office Action. However, as Applicant discusses in great detail in the Amendment of June 14, 2004, the relied upon portion of *Tarter* in no way teaches or suggests this element of claim 1. For instance, *Tarter* does not teach or suggest comparing each claim code of a series of claim lines against a qualification code. Further, *Tarter* does not teach or suggest identifying a term as a matching term associated to the claim

line when a claim code of the claim line is substantially equal to the qualification code. These actions are completely absent from the relied upon teaching of *Tarter*.

The current Office Action does not address the above arguments presented by Applicant's June 14th Amendment. The current Office Action fails to identify any other portion of *Tarter* that teaches or suggests the above element of claim 1. And, the current Office Action fails to further clarify how the cited teaching of *Tarter* provides each limitation recited in this element of claim 1, such as comparing each claim code of a series of claim lines against a qualification code and identifying a term as a matching term associated to the claim line when a claim code of the claim line is substantially equal to the qualification code. Thus, this rejection should be withdrawn.

Further still, claim 1 also recites "providing programming code for determining any priority conditions associated to all of the matching terms, and eliminating any matching terms that are excluded by said priority conditions; and providing programming code for determining a reimbursement amount for the claim by processing the calculation codes of the non-eliminated matching terms." The Office Action concedes that *Tarter* fails to teach or suggest these elements of claim 1, but asserts that these elements are found in *Bosco*. Particularly, the Office Action relies upon Col. 9, lines 1-68 and Col. 19, line 58 to Col. 20, line 68 as teaching or suggesting the above elements of claim 1, *see* page 4 of the Office Action.

As Applicant discusses in great detail in the Amendment of June 14, 2004, the relied upon portions of *Bosco* in no way teaches or suggests these elements of claim 1. For instance, the relied upon portions of *Bosco* do not teach or suggest programming code that executes to determine priority conditions and eliminate matching terms that are excluded by the priority conditions. Further, the relied upon portions of *Bosco* fail to teach or suggest "programming code for determining a reimbursement amount for the claim by processing the calculation codes of the non-eliminated matching terms." *Bosco* does not teach or suggest programming code that executes to determine a reimbursement amount for a claim by processing calculation codes of non-eliminated matching terms of a contract.

The current Office Action does not address the above arguments presented by Applicant's June 14th Amendment. The current Office Action fails to identify any other

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portion of *Bosco* that teaches or suggests the above elements of claim 1. And, the current Office Action fails to further clarify how the cited teaching of *Bosco* provides each limitation recited in these elements of claim 1, such as programming code for determining any priority conditions associated to all of the matching terms, eliminating any matching terms that are excluded by the priority conditions, and programming code for determining a reimbursement amount for the claim by processing the calculation codes of the non-eliminated matching terms. Thus, this rejection should be withdrawn.

In view of the above, the applied combination of *Tarter* and *Bosco* fails to teach or suggest each and every element of independent claim 1. As such, independent claim 1 is not obvious under 35 U.S.C. § 103(a) over *Tarter* in view of *Bosco*. Therefore, Applicant respectfully requests that this rejection of claim 1 be withdrawn.

B. Independent Claim 24

Independent claim 24 recites, in part, "computer readable program code means for causing a computer to generate a rate sheet which represents a contract, of the at least one contract, the rate sheet containing one or more rate terms that represent the contractual terms of said contract, and containing a rate identifier code that represents the contract identifier of said contract". The Office Action relies upon *Tarter* as teaching or suggesting this element of claim 24. Particularly, the Office Action relies upon Col. 13, line 44 to Col. 14, line 65 as teaching or suggesting the above element of claim 24, *see* page 8 of the Office Action. As described in detail in Applicant's June 14th amendment, the relied upon portion of *Tarter* teaches "Transaction Processing," "Funds Collection," and "Funds Management and Reconciliation". However, the cited portion of *Tarter* does not teach or suggest computer readable program code causing a computer <u>to generate a rate sheet which represents a contract</u>, of the at least one contract, <u>the rate sheet containing one or more rate terms</u> that represent the contractual terms of the contract, and containing a rate identifier code that represents the contract identifier of the contract. Thus, the rejection over *Tarter* is improper.

Claim 24 further recites "computer readable program code means for causing a computer to generate the claim, the claim having a claim identifier codes and a series of claim lines, each claim line including a claim code, a unit number and a code charge". The Office Action relies upon Col. 15, line 7 to Col. 16, line 31 of *Tarter* as teaching or

suggesting this element, *see* page 8 of the Office Action. As described in Applicant's June 14th amendment, the relied upon portion of *Tarter* teaches "Receivables Securitization." This in no way teaches or suggests generating a claim having a claim identifier codes and a series of claim lines with each claim line including a claim code, unit number and code charge. Thus, the rejection over *Tarter* is improper.

Claim 24 further recites "computer readable program code means for causing a computer to reprice the claim against a rate sheet, and to generate and assign a reimbursement amount to said repriced claim". The Office Action relies upon Col. 15, line 7 to Col. 16, line 31 of *Tarter* as teaching or suggesting this element, *see* page 8 of the Office Action. As described in Applicant's June 14th amendment, the relied upon portion of *Tarter* teaches "Receivables Securitization." This in no way teaches or suggests generating repricing a claim against a rate sheet and generating and assigning a reimbursement amount to a repriced claim. More particularly, the "Receivables Securitization" taught by *Tarter* in no way teaches or suggests repricing a claim against a rate sheet. Thus, the rejection over *Tarter* is improper.

Claim 24 further recites "computer readable program code means for causing a computer to graphically display the reimbursement amount of the repriced claim, and a difference between the total charge of the claim and the reimbursement amount of the repriced claim." The Office Action relies upon Col. 9, lines 1-67 and Col. 19, line 58 to Col. 20, line 68 of *Bosco* as teaching or suggesting this element. The relied upon portion of *Bosco* fails to teach or suggest graphically displaying a reimbursement amount of a repriced claim and a difference between the total charge of the claim and the reimbursement amount of the repriced claim. Thus, the rejection over *Bosco* is improper.

The current Office Action does not address the above arguments presented by Applicant's June 14th Amendment. The current Office Action fails to identify any other portions of *Tarter* or *Bosco* that teach or suggest the above elements of claim 24. And, the current Office Action fails to further clarify how the cited teachings of *Tarter* and *Bosco* provide each limitation recited in the above elements of claim 24. Thus, this rejection should be withdrawn.

In view of the above, the applied combination of *Tarter* and *Bosco* fails to teach or

suggest each and every element of independent claim 24. As such, independent claim 24 is

not obvious under 35 U.S.C. § 103(a) over *Tarter* in view of *Bosco*. Therefore, Applicant

respectfully requests that this rejection of claim 24 be withdrawn.

C. Independent Claim 40

Independent claim 40 recites, in part, "comparing each claim code, of the claim,

against each qualification code, of each contractual term, of a contract". The Office Action

asserts, at page 15 thereof, that *Tarter* teaches or suggests this element at Col. 13, line 44 to

Col. 15, line 39. However, the relied upon portion of *Tarter* in no way teaches or suggests

this element of claim 40. As described in Applicant's June 14th amendment, the relied upon

portion of *Tarter* describes "Transaction Processing," "Funds Collection," "Funds

Management and Reconciliation," and "Receivables Securitization." The relied upon portion

of *Tarter* in no way teaches or suggests "comparing each claim code, of the claim, against

each qualification code, of each contractual term, of a contract". For instance, *Tarter* does

not teach or suggest comparing each claim code of a claim against a qualification code of a

term of a contract. This action is completely absent from the relied upon teaching of *Tarter*.

Further, claim 40 recites "when a qualification code, of a contractual term, is satisfied

by a claim code, of a claim line, identifying said contractual term as a matching contractual

term associated to said claim line, and creating a list of all matching contractual terms". The

Office Action asserts that *Tarter* further teaches or suggests this element of claim 40,

particularly relying upon Col. 13, line 44 to Col. 14, line 67, *see* page 15 of the Office Action.

As mentioned above, this portion of *Tarter* in no way teaches or suggests using a

qualification code of a contractual term, and it certainly fails to teach or suggest identifying a

contractual term as a matching term associated to the claim line when the qualification code

is satisfied by a claim code. Nor does this portion of *Tarter* teach or suggest creating a list of

all matching contractual terms. There is simply no hint whatsoever of such a list being

created in the relied upon portion of *Tarter*.

Independent claim 40 further recites "determining any priority conditions associated

to the matching contractual terms, and eliminating any matching contractual terms, from said

list of matching terms that are excluded by said priority conditions". The Office Action

asserts that *Bosco* teaches or suggests this element of claim 40, particularly relying upon Col. 9, lines 1-67 and Col. 19, line 58 to Col. 20 line 68, *see* page 15 of the Office Action. As discussed further in Applicant's June 14th amendment, the relied upon portions of *Bosco* fail to teach or suggest this element of 40. Particularly, the relied upon portions of *Bosco* provide no teaching or suggestion as to determining priority conditions associated with matching contractual terms, nor do they teach or suggest eliminating any matching contractual terms from a list of matching terms based on the priority conditions.

The current Office Action does not address the above arguments presented by Applicant's June 14th Amendment. The current Office Action fails to identify any other portions of *Tarter* or *Bosco* that teach or suggest the above elements of claim 40. And, the current Office Action fails to further clarify how the cited teachings of *Tarter* and *Bosco* provide each limitation recited in the above elements of claim 40. Thus, this rejection should be withdrawn.

In view of the above, the applied combination of *Tarter* and *Bosco* fails to teach or suggest each and every element of independent claim 40. As such, independent claim 40 is not obvious under 35 U.S.C. § 103(a) over *Tarter* in view of *Bosco*. Therefore, Applicant respectfully requests that this rejection of claim 40 be withdrawn.

D. Independent Claim 53

Independent claim 53 recites, in part, "computer readable program code means for causing a computer to generate a rate sheet representing the contractual terms of said contract, the rate sheet containing identifier codes, and one or more rate terms". The Office Action relies upon *Tarter* as teaching or suggesting this element of claim 53. Particularly, the Office Action relies upon Col. 13, line 44 to Col. 14, line 65 as teaching or suggesting the above element of claim 53, *see* pages 20-21 of the Office Action. As described in Applicant's June 14th amendment, the relied upon portion of *Tarter* teaches "Transaction Processing," "Funds Collection," and "Funds Management and Reconciliation". However, the relied upon portion of *Tarter* does not teach or suggest computer readable program code causing a computer to generate a rate sheet representing contractual terms, the rate sheet containing one or more rate terms and identifier codes. Thus, the rejection over *Tarter* is improper.

Claim 53 further recites "computer readable program code means for causing a computer to arrange the rate terms in a sequential series of terms". The Office Action relies upon *Bosco*, particularly Col. 9, lines 1-67 and Col. 19, line 58 to Col. 20, line 68, as teaching or suggesting this element, *see* page 21 of the Office Action. However, the relied upon portion of *Bosco* in no way teaches or suggests arranging rate terms in a sequential series of terms.

Claim 53 further recites "computer readable program code means for graphically conveying the rate sheet by displaying the sequential series of terms in an English language representation.". The Office Action relies upon Col. 9, lines 1-67 and Col. 19, line 58 to Col. 20, line 68 of *Bosco* as teaching or suggesting this element, *see* page 21 of the Office Action. However, the relied upon portion of *Bosco* fails to teach or suggest graphically conveying a rate sheet by displaying a sequential series of terms. Thus, the rejection over *Bosco* is improper.

The current Office Action does not address the above arguments presented by Applicant's June 14th Amendment. The current Office Action fails to identify any other portions of *Tarter* or *Bosco* that teach or suggest the above elements of claim 53. And, the current Office Action fails to further clarify how the cited teachings of *Tarter* and *Bosco* provide each limitation recited in the above elements of claim 53. Thus, this rejection should be withdrawn.

In view of the above, the applied combination of *Tarter* and *Bosco* fails to teach or suggest each and every element of independent claim 53. As such, independent claim 53 is not obvious under 35 U.S.C. § 103(a) over *Tarter* in view of *Bosco*. Therefore, Applicant respectfully requests that this rejection of claim 53 be withdrawn.

E. Independent Claim 60

Independent claim 60 recites, in part, "associating, with said at least one term, information, stored to computer-readable medium, representing at least one qualifier having a corresponding calculation method, wherein the at least one qualifier identifies at least one condition to be satisfied by a claim for reimbursement in order to trigger the corresponding

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calculation method." The applied combination of *Tarter* and *Bosco* fails to teach or suggest at least this element of claim 60.

Therefore, Applicant respectfully requests that this rejection of claim 60 be withdrawn.

F. Independent Claim 65

Independent claim 65 recites, in part, "code for associating with the at least one term a qualification having a corresponding calculation method, wherein the qualification identifies when a received claim for reimbursement qualifies for reimbursement, under the term with which the qualification is associated, according to the corresponding calculation method." The applied combination of *Tarter* and *Bosco* fails to teach or suggest at least this element of claim 65. Therefore, Applicant respectfully requests that this rejection of claim 65 be withdrawn.

G. Independent Claim 71

Independent claim 71 recites, in part, "code for generating a user interface providing a phrase describing a term of a contract for reimbursement, wherein said phrase includes at least one input field for receiving input from a user". The applied combination of *Tarter* and *Bosco* fails to teach or suggest at least this element of claim 71. Therefore, Applicant respectfully requests that this rejection of claim 71 be withdrawn.

H. Independent Claim 79

Independent claim 79 recites, in part, "code for generating output presenting at least one phrase describing the terms of the defined contract for reimbursement." The applied combination of *Tarter* and *Bosco* fails to teach or suggest at least this element of independent claim 79. Therefore, Applicant respectfully requests that this rejection of claim 79 be withdrawn.

I. Independent Claim 82

Independent claim 82 recites, in part, "for each of the at least one term, receiving, by said processor-based device, input identifying at least one qualification that specifies at least one condition to be satisfied in a claim for the claim to qualify for reimbursement according to the corresponding contract term". The applied combination of *Tarter* and *Bosco* fails to teach or suggest at least this element of independent claim 82. Therefore, Applicant respectfully requests that this rejection of claim 82 be withdrawn.

J. Independent Claim 84

Independent claim 84 recites, in part, "defining a reimbursement contract in computer-executable program code stored to a computer-readable medium, where said definition of said reimbursement contract includes information associating at least one term of the contract with at least one qualifier having a corresponding calculation method". The applied combination of *Tarter* and *Bosco* fails to teach or suggest at least this element of independent claim 84. Therefore, Applicant respectfully requests that this rejection of claim 84 be withdrawn.

K. Dependent Claims

Each of dependent claims 2-11, 25-39, 41-52, 54-59, 61-64, 66-70, 72-78, 80-81, 83, and 85-86 depends, either directly or indirectly, from one of independent claims 1, 24, 40, 53, 60, 65, 71, 79, 82, and 84 (and thus inherits all limitations of its respective independent claim). In view of the above, Applicant respectfully submits that independent claims 1, 24, 40, 53, 60, 65, 71, 79, 82, and 84 are of patentable merit. It is respectfully submitted that dependent claims 2-11, 25-39, 41-52, 54-59, 61-64, 66-70, 72-78, 80-81, 83, and 85-86 are allowable at least because of their dependency from their respective independent claims for the reasons discussed above.

V.   Conclusion

In view of the above, each of the presently pending claims in this application is believed to be in immediate condition for allowance. Accordingly, the Examiner is respectfully requested to pass this application to allowance.

The required fee for the extension of time for this response is enclosed. If any additional fee is due, please charge Deposit Account No. 06-2380, under Order No. 66729/P017US/10405597 from which the undersigned is authorized to draw.

I hereby certify that this correspondence is being deposited with the United States Postal Service as Express Mail, Label No. EV 568260237US in an envelope addressed to: M/S Amendment, Commissioner for Patents, Alexandria, VA 22313.

Date of Deposit: December 2, 2005

Typed Name: Gail L. Miller

Signature: _Gail L. Miller_

Respectfully submitted,

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Paper No. 78

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES

Ex parte CARL A. LUNDGREN

Appeal No. 2003-2088
Application 08/093,516

HEARD: April 20, 2004

Before FLEMING, Chief Administrative Patent Judge, HARKCOM, Vice Chief Administrative Patent Judge, and HAIRSTON, JERRY SMITH, and BARRETT, Administrative Patent Judges.

PER CURIAM.

DECISION ON APPEAL

This is an appeal under 35 U.S.C. § 134(a) from the rejection of claims 1, 2, 6, 7, 19-22, 32, and 35-40, all the claims pending in the application.

Claim 1 is representative of the subject matter on appeal and reads as follows:

1. A method of compensating a manager who exercises administrative control over operations of a privately owned primary firm for the purpose of reducing the degree to which prices exceed marginal costs in an industry, reducing incentives for industry collusion between the primary firm and a set of

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comparison firms in said industry, or reducing incentives for
coordinated special interest industry lobbying, said set of
comparison firms including at least one firm, said primary firm
having the manager who exercises administrative control over said
primary firm's operations during a sampling period, wherein
privately owned means not wholly government owned, the method
comprising the steps of:

a) choosing an absolute performance standard from a set of
absolute performance standards;

b) measuring an absolute performance of said primary firm
with respect to said chosen absolute performance standard for
said sampling period;

c) measuring an absolute performance of each firm of said
set of comparison firms with respect to said chosen absolute
performance standard for said sampling period, said measurement
of performance for each firm of said set of comparison firms
forming a set of comparison firm absolute performance measures;

d) determining a performance comparison base based on said
set of comparison firm absolute performance measures by
calculating a weighted average of said set of comparison firm
absolute performance measures;

e) comparing said measurement of absolute performance of
said primary firm with said performance comparison base;

f) determining a relative performance measure for said
primary firm based on said comparison of said primary firm
measurement of absolute performance and said performance
comparison base;

g) determining the managerial compensation amount derived
from said relative performance measure according to a monotonic
managerial compensation amount transformation; and

h) transferring compensation to said manager, said
transferred compensation having a value related to said
managerial compensation amount.

This is the second time this case has been appealed to the

Board. In Appeal No. 96-0519, a merits panel reversed the

examiner's rejection premised upon 35 U.S.C. § 101 (non-statutory

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subject matter) of the claims then pending. The panel stated

"[w]e find that the claim language recites subject matter that is

a practical application of shifting of physical assets to the

manager. We note the remaining claims also recite the above

practical application. Therefore, we find statutory subject

matter." Paper No. 49, page 7.

Dissatisfied with the outcome of the previous appeal, the

Examining Corps filed a "Request for Reconsideration and

Rehearing" (Paper No. 50, December 15, 1999) that lists two

issues for reconsideration as follows:

> 1. Whether the invention as a whole is in the
> technological arts.
>
> 2. Assuming that the invention is in the technological
> arts, whether the claim transferring compensation to a
> manager is a practical application.

Id., page 2.

Appellant filed a response to the Request for

Reconsideration and Rehearing (Paper No. 51, January 13, 2000).

In an opinion (Paper No. 52) mailed March 13, 2001, an

expanded panel of the Board remanded the application to the

examiner for two reasons. First, the record did not reflect that

the examiner had considered and evaluated appellant's response to

the Request for Reconsideration and Rehearing, and second, the

Office of the Deputy Commissioner for Patent Examination Policy

had requested that the application be remanded to the

jurisdiction of the patent examiner so that issues regarding

"technological arts" and "practical application" could be further considered.

Following further prosecution before the examiner in which the examiner maintained a rejection under 35 U.S.C. § 101 (non-statutory subject matter), appellant filed a second appeal to this Board (Paper No. 64, December 12, 2002), followed by his Appeal Brief (Paper No. 69, March 13, 2003). The examiner filed an Answer on May 1, 2003 (Paper No. 70), that was followed by a Reply Brief (Paper No. 72, June 20, 2003). Oral argument was held by an expanded panel on April 20, 2004, and the case was taken under advisement.

DISCUSSION

We reverse the examiner's rejection under 35 U.S.C. § 101 (non-statutory subject matter). In reviewing the Examiner's Answer, we find the examiner refers the reader to Paper No. 60 for a statement of the rejection under § 101. We have reviewed Paper No. 60 and find that a rejection under this section of the statute is set forth on pages 4-8 thereof. The examiner states "both the invention and the practical application to which it is directed to be outside the technological arts, namely an economic theory expressed as a mathematical algorithm without the disclosure or suggestion of computer, automated means, apparatus of any kind, the invention as claimed is found non-statutory." Paper No. 60, page 7.

In reviewing the examiner's "Response to Argument" set forth

at pages 3-8 of the Examiner's Answer of May 1, 2003, we first

note that the examiner states that "the part of the 35 U.S.C.

§ 101 rejection that asserted that claims 1, 2, 6, 7, 19-22, 32,

and 35-40 fail to produce a useful, concrete, and tangible result

is withdrawn."[1] By withdrawing this rejection, it can be

concluded that the examiner has found that the process claims on

appeal produce a useful, concrete, and tangible result.

Since the Federal Circuit has held that a process claim that

applies a mathematical algorithm to "produce a useful, concrete,

tangible result without pre-empting other uses of the

mathematical principle, on its face comfortably falls within the

scope of § 101," AT&T Corp. v. Excel Communications, Inc.,

172 F.3d 1352, 1358, 50 USPQ2d 1447, 1452 (Fed. Cir. 1999), one

would think there would be no more issues to be resolved under

35 U.S.C. § 101. However, the examiner is of the opinion that

there is a separate test for determining whether claims are

directed to statutory subject matter, i.e., a "technological

arts" test.

Thus, the only issue for review in this appeal is, to use

the examiner's terminology, "whether or not claims 1, 2, 6, 7,

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[1] The examiner had instituted two separate rejections under Section 101
in Paper No. 60. The first was on the basis that the claims were "nothing
more than an abstract idea which is not associated or connected to any
technological art," id., pages 4-7, and second was that the claims did not
"achieve a practical result," id., pages 7-8.

19-22, 32, and 35-40 are limited to the technological arts, as required by 35 U.S.C. § 101." Examiner's Answer, page 3.

35 U.S.C. § 101 provides:

> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

As seen, claim 1 on appeal is directed to a process. Thus, one may wonder why there is any issue regarding whether claim 1 is directed to statutory subject matter. The issue arises because the Supreme Court has ". . . recognized limits to § 101 and every discovery is not embraced within the statutory terms. Excluded from such patent protection are laws of nature, physical phenomena and abstract ideas." Diamond v. Diehr, 450 U.S. 175, 185, 209 USPQ 1, 7 (1981). However, in this appeal, the examiner has not taken the position that claim 1 is directed to a law of nature, physical phenomena or an abstract idea, the judicially recognized exceptions to date to § 101. Rather, the examiner has found a separate "technological arts" test in the law and has determined that claim 1 does not meet this separate test.

The examiner finds the separate "technological arts" test in In re Musgrave, 431 F.2d 882, 167 USPQ 280 (CCPA 1970); In re Toma, 575 F.2d 872, 197 USPQ 852 (CCPA 1978); and Ex parte Bowman, 61 USPQ2d 1669 (Bd. Pat. App. & Int. 2001)(non-precedential). We have reviewed these three cases and do not

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find that they support the examiner's separate "technological arts" test.

In Musgrave, the court reversed a rejection under 35 U.S.C. § 101 that the claims under review therein were non-statutory because it disagreed with the Board that "these claims . . . are directed to non-statutory processes merely because some or all of the steps therein can also be carried out in or with the aid of the human mind or because it may be necessary for one performing the processes to think." Musgrave 431 F.2d at 893, 167 USPQ 289. After so holding, the court went on to observe "[a]ll that is necessary, in our view, to make a sequence of operational steps a statutory 'process' within 35 U.S.C. § 101 is that it be in the technological arts so as to be in consonance with the Constitutional purpose to promote the progress of 'useful arts.' Const. Art. 1, sec. 8."

We do not view the court's statement in Musgrave in regard to the technological arts to have created a separate "technological arts" test in determining whether a process is statutory subject matter. Indeed, the court stated as much in Toma. The court first noted that the examiner in that case had "cited [inter alia, Musgrave] for the proposition that all statutory subject matter must be in the 'technological' or 'useful' arts... ." Toma, 575 F.2d at 877, 197 USPQ at 857. The court then stated that cases such as Musgrave involved what was

called at that time a "mental steps" rejection and observed,

"[t]he language which the examiner has quoted was written in

answer to 'mental steps' rejections and was not intended to

create a generalized definition of statutory subject matter.

Moreover, it was not intended to form a basis for a new § 101

rejection as the examiner apparently suggests." Id. at 878,

197 USPQ at 857. We do not believe the court could have been any

clearer in rejecting the theory the present examiner now advances

in this case.

We have also considered Ex parte Bowman, cited by the

examiner. Bowman is a non-precedential opinion and thus, not

binding.

Finally, we note that the Supreme Court was aware of a

"technological arts test," and did not adopt it when it reversed

the Court of Customs and Patent Appeals in Gottschalk v. Benson,

409 U.S. 63, 175 USPQ 673 (1972). As explained in Diamond v.

Diehr, 450 U.S. 175, 201, 209 USPQ 1, 14 (1981) (Stevens, J.,

dissenting) (footnotes omitted):

> In re Benson, [441 F.2d 682, 169 USPQ 548 (CCPA 1971)] of
> course was reversed by this Court in Gottschalk v. Benson,
> 409 U.S. 63, [175 USPQ 673] (1972). Justice Douglas'
> opinion for a unanimous Court made no reference to the lower
> court's rejection of the mental-steps doctrine or to the new
> technological-arts standard. Rather, the Court clearly held
> that new mathematical procedures that can be conducted in
> old computers, like mental processes and abstract
> intellectual concepts, see id., at 67, [175 USPQ at
> 674-675], are not patentable processes within the meaning of
> § 101. (Footnotes omitted.)

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Our determination is that there is currently no judicially
recognized separate "technological arts" test to determine patent
eligible subject matter under § 101. We decline to propose to
create one. Therefore, it is apparent that the examiner's
rejection can not be sustained. Judge Barrett suggests that a
new ground of rejection should be entered against the claims on
appeal. We decline at this stage of the proceedings to enter a
new ground of rejection based on Judge Barrett's rationale,
because in our view his proposed rejection would involve
development of the factual record and, thus, we take no position
in regard to the proposed new ground of rejection. Accordingly,
the decision of the examiner is reversed.

<div align="center">REVERSED</div>

Michael R. Fleming Chief Administrative Patent Judge	))))
	) BOARD OF PATENT
Gary V. Harkcom Vice Chief Administrative Patent Judge	) APPEALS) AND) INTERFERENCES
	))
Kenneth W. Hairston Administrative Patent Judge	))